



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

June 30, 2006

To: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

From: *David E. Janssen*  
Chief Administrative Officer

**SACRAMENTO UPDATE**

**State Budget**

Just before noon today, Governor Arnold Schwarzenegger held a press conference in the Capitol rotunda heralding the signing of the FY 2006-07 State Budget. Also in attendance were Senate President pro Tem Don Perata, Senate Minority Leader Dick Ackerman, Assembly Speaker Fabian Nuñez and Assembly Minority Leader George Plescia and a number of State and local officials. He thanked the legislative leaders, the legislators, their staff and his staff for their efforts and cooperation, and offered that this was the first time in six years that the State Budget had been signed before the start of the new fiscal year. A copy of the Governor's press release is included as Attachment I.

The Governor signed **AB 1801** and **AB 1811**, the two bills that together make up the 2006 Budget Act. The Budget package contains \$131.4 billion in total expenditures, and uses an estimated \$4.9 billion from the surge in State revenues to pay down \$2.8 billion in budgetary debt ahead of schedule, and sets aside \$2.1 billion to establish a year-end reserve in FY 2006-07. The Budget Act is highlighted by the early repayment of debt, substantial funding increases to education, additional funding for various law enforcement efforts, and substantial investments to improve California's transportation system. The Governor used his line-item veto authority to cut approximately \$112 million from the Budget package passed by the Legislature on June 28, 2006.

As a result of the Governor's vetoes, the previously estimated net gain of \$163.1 million for the County was reduced by \$500,000 because of the deletion of the trauma care funding. Attachment II has been updated to reflect the final adoption of the State Budget. The following are line-item vetoes that affect the County:

- **Trauma Care.** The Governor deleted the \$10 million augmentation for trauma care services. In his veto message, the Governor indicated that he sustained a similar augmentation in the Budget Act of 2005 and noted that funding was made available on a one-time basis in order to provide temporary relief.
- **Child Support Administration.** The Governor sustained the \$12 million augmentation for local child support agency administration. However, in his signing message, he instructed the State Department of Child Support Services to consider options to evaluate the effectiveness of distributing funding based on a new allocation methodology to improve State and Federal child support collection performance. The Governor also indicated that if this augmentation and associated allocation methodology proves to directly improve performance, he will then direct the department to consider options to utilize a performance-base methodology on a broader scale.

#### **Status of County-Interest Legislation**

**County-supported SB 1206 (Kehoe)** which strengthens redevelopment law and curb potential abuse by, among other provisions, requiring redevelopment plans to have specific, quantifiable evidence that documents blight findings, and base such findings on clear and convincing evidence passed the Assembly Committee on Housing and Community Development on Wednesday, June 28, 2006 by a vote of 5 to 0.

There was a substantial amount of debate on elements of the bill. Due to time limitations, the Chair, Assembly Member Mullin, suggested that Senator Kehoe strike the blight definition and the debt extension provision without prejudice. The Chair made a commitment to work towards resolution of those two issues over the Legislature's summer recess. The suggestion was accepted by the author, and it was agreed that the Chair's amendments would be offered in the Assembly Judiciary Committee on the following day.

The Assembly Judiciary Committee heard SB 1206 (Kehoe) on June 29, 2006, and passed it on a 6 to 0 vote with three abstentions. The discussion in Judiciary focused primarily on the provisions relating to the intervention of the Attorney General in court challenges of redevelopment projects and on changing the standard for proving the existence of blight from "substantial" to "clear and convincing" evidence.

The Republican Members on the committee raised concerns that the bill was a "work in progress" and that open issues are not likely to be resolved until the bill is sent to a

Each Supervisor  
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conference committee to reconcile the differences between the Senate and Assembly versions of the bill. SB 1206 will next be heard in the Assembly Appropriations Committee, and the hearing date is tentatively set for on August 9, 2006.

We will continue to keep you advised.

DEJ:GK  
DW:JF:MR:VE:cc

#### Attachments

c: All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

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## Press Release



OFFICE OF THE GOVERNOR

GAAS:420:06  
**FOR IMMEDIATE RELEASE**  
06/30/2006

### **Gov. Schwarzenegger Signs Budget that Fully Funds Education, Pays Down Debt, Boosts Rainy Day Fund**

Gov. Arnold Schwarzenegger signed a bipartisan budget today that invests a record \$55.1 billion in education - an increase of \$3.1 billion this year and \$8.3 billion over the last two years - and allocates \$4.9 billion to create a fiscally responsible budget reserve and to pay down the state's debt early.

"It's amazing what can be accomplished when Democrats and Republicans work together in Sacramento," said Gov. Schwarzenegger. "I want to thank the legislative leadership - Senators Don Perata and Dick Ackerman, Speaker Fabian Nunez and Assembly Republican Leader George Plescia - for all their hard work on the budget. We put politics aside and were driven by the overwhelming desire to do what's best for the people of California. The budget I signed today invests in education and pays down our state's debt early. But I am especially proud that the budget expands preschool, and returns art, music and physical education classes to our children."

In a year of revenues due to a strong economy, the Governor signed a plan that prudently spends one-time revenues on one-time expenditures. Creating one of the highest reserves in the last 20 years, \$2.1 billion is set aside for the budget reserve and an additional \$2.8 billion is allocated for debt pre-payment. Included in the early payment of debt is \$1.42 billion for repaying money borrowed from funds earmarked by the voters for transportation projects. These funds - in addition to a separate \$1.4 billion in this year's Prop. 42 funds - will help jump start projects that will reduce traffic throughout the state. The early debt payment and the \$2.1 billion set aside for the budget reserve total nearly 4.7 percent of the overall budget - the highest such percentage in 25 years.

The budget the Governor signed today largely mirrors the May Revise, which prompted all three Wall Street credit rating agencies to upgrade the state credit rating in less than a month - a feat that hasn't happened that fast in recent history. Much like a personal credit score, a higher credit rating means the cost of borrowing money is reduced. One of the major ratings agencies cited "California's continuing economic recovery, strong revenue performance and continued progress in reducing fiscal imbalance" when upgrading their rating on the state's general obligation debt.

Highlights of AB 1801, the Budget Act of 2006 by Assemblymember John Laird (D-Santa Cruz), include:

**The Governor's Preschool through High School Education Priorities** - To better prepare our youngest students, the budget includes \$100 million for the Governor's targeted preschool initiative, which will make preschool available to every four year old living in a low-performing school district. \$50 million of this funding will be used to build and improve preschool facilities. The budget also includes \$645 million to fund physical education, arts and music programs. Overall, \$11,264 will be spent on each student, an increase of \$516 from the current year.

**The Governor's Higher Education Priorities** - The budget allocates \$19.1 billion from all sources for higher education and eliminates tuition and fee increases at UC and CSU. California, which already has the lowest community college fees in the nation, will further lower student fees from \$26 per unit to \$20, effective Spring 2007.

**The Governor's Law Enforcement Priorities** - The budget includes an additional \$196 million to support law enforcement efforts, including money to fund Sexual Assault Felony Enforcement teams, 500 GPS devices to track and monitor the highest-risk parolees and four new Gang Suppression Enforcement Teams. The budget also proposes the addition of 235 California Highway Patrol positions, includes \$56.4 million to replace the CHP's existing radio system and allocates \$6.4 million to handle the increasing number of wireless 9-1-1 calls. Additionally, the budget includes a \$20 million investment to strengthen efforts to fight methamphetamine trafficking and \$6 million to create three new California

Methamphetamine Strategy program teams.

**Ensuring Disaster Preparedness** - The budget provides \$220 million to enhance California's ability to prepare for, mitigate and respond to emergencies, including money to strengthen public health response during a disaster. This includes preparations to prevent a pandemic influenza outbreak and expanding efforts to help local governments develop disaster preparedness plans.

**Protecting Public Health** - In an effort to reach the 428,000 children who are eligible for Medi-Cal or the Healthy Families program but are not enrolled, the budget includes \$22.6 million for counties to perform outreach and enrollment activities. The budget for the Healthy Families program also covers enrollment growth for 78,200 additional children.

**Investing in Transportation** - In addition, the Budget makes a substantial investment in improving California's transportation system. It provides \$1.4 billion to fully fund Proposition 42 for the second consecutive year, and it provides an additional \$1.4 billion for the early repayment of past loans from Proposition 42, for a total of \$2.8 billion. Of the \$1.4 billion repayment, \$440 million is designated for cities and counties for local road and street maintenance that would otherwise not be funded.

Today, Gov. Schwarzenegger signed the first on time budget since 2000, a feat that has only happened four times in the last 20 years. The 2006-07 budget's general fund is \$101.3 billion and total is \$131.4 billion. For a more detailed overview of the budget, please visit [www.dof.ca.gov](http://www.dof.ca.gov).

2006 State Budget Highlights

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**ESTIMATED IMPACT ON LOS ANGELES COUNTY  
FROM THE 2006 STATE BUDGET ACT  
(In Millions)**

	<b>May Budget Revision</b>	<b>Conference Committee</b>	<b>Final Legislative Budget</b>	<b>Adopted Budget</b>	
<b><u>Reductions :</u></b>					
Suspension of the Property Tax Administration Program	\$ (13.5)	\$ (13.5)	\$ (13.5)	\$ (13.5)	
AB 3632 Special Education Pupil Program					
FY 2006-07 Program Costs	3.0	(2.7)	(2.7)	(2.7)	(1)
Prior Year Claim Reimbursement - FY 2005-06	0.0	11.0	11.0	11.0	(1)
Prior Year Claim Reimbursement - FY 2004-05	0.0	11.0	11.0	11.0	(1)
Hospital License Fees	(0.5)	0.0	(0.5)	(0.5)	
CalWORKs Program:					
Single Allocation	(64.9)	0.0	0.0	0.0	(2)
Single Allocation - Improvement Program	0.0	30.0	30.0	30.0	(2)
Pay for Performance Allocation	13.3	13.3	13.3	13.3	
	<u>(62.6)</u>	<u>49.1</u>	<u>48.6</u>	<u>48.6</u>	
<b><u>Augmentations / Restorations :</u></b>					
Health Care Workforce Development	0.0	5.7	5.7	5.7	
Trauma Care Funding	0.0	0.5	0.5	0.0	(3)
Child Support Funding	0.0	2.5	2.5	2.5	
Juvenile Justice Crime Prevention Act (JJCPA) Program	4.9	0.0	4.2	4.2	(4)
Citizens Option for Public Safety (COPS) Program:					
District Attorney	0.5	0.0	0.4	0.4	(5)
Sheriff	0.5	0.0	0.4	0.4	(5)
Unincorporated Areas	0.4	0.0	0.3	0.3	(5)
Standards and Training for Corrections Program					
Probation	2.2	2.2	2.2	2.2	
Sheriff	1.7	1.7	1.7	1.7	
Booking Fees / Local Detention Facility Funds	5.3	0.0	0.0	0.0	(6)
Public Library Foundation Program	0.7	0.7	0.7	0.7	
Repayment of Deferred State Mandates	24.3	14.0	24.3	24.3	(7)
Proposition 42 - Loan Early Repayment	25.0	25.0	41.0	41.0	(8)
Proposition 36					
Substance Abuse Crime Prevention Act of 2000	30.0	30.0	30.0	30.0	(9)
Improvement Fund	0.0	0.0	0.0	0.0	(9)
Election Cost Reimbursement	0.0	0.0	0.0	0.0	(10)
DPSS: LEADER System	0.6	0.6	0.6	0.6	
	<u>\$ 96.2</u>	<u>\$ 82.8</u>	<u>\$ 114.5</u>	<u>\$ 114.0</u>	
<b>Estimated Net Impact</b>	<b>\$ 33.6</b>	<b>\$ 131.9</b>	<b>\$ 163.1</b>	<b>\$ 162.6</b>	

**Notes:**

- (1) The 2006 Budget Act includes \$52 million for FY 2006-07 program costs and \$66 million for reimbursement of FY 2004-05 and FY 2005-06 claims.
- (2) Reflects approval of the CalWORKs package which restores funding at the FY 2005-06 level and allocates funds to meet new Federal work participation requirements.
- (3) Reflects the Governor's line-item veto which deleted the \$10 million augmentation for trauma care funding in FY 2006-07.
- (4) The 2006 Budget Act includes \$19 million increase in funding for the JJCPA Program in FY 2006-07.
- (5) The 2006 Budget Act includes \$19 million increase in funding for the COPS Program in FY 2006-07.
- (6) The Budget Act contains funding to reimburse cities for booking fees in FY 2006-07, and language to establish a new fee structure in FY 2007-08.
- (7) Reflects funding to reimburse counties for the 1st installment of the 15-year repayment and prepayment of the State's obligation in FY 2007-08 (2nd year installment).
- (8) The Budget Act includes \$41 million for the repayment of the FY 2003-04 loan (\$19 million), and partial repayment of the FY 2004-05 loan (\$22 million).
- (9) The Budget Act approved \$120 million for the continuation of the Prop. 36 Program, and added \$25 million for a new Improvement Fund that requires 10% county match.
- (10) Reimbursement for the November 2005 special election is anticipated in FY 2005-06.

*This table represents the estimated impact of the Governor's May Revision, the Budget Conference Committee, Final Legislative Budget, and Adopted Budget. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.*